

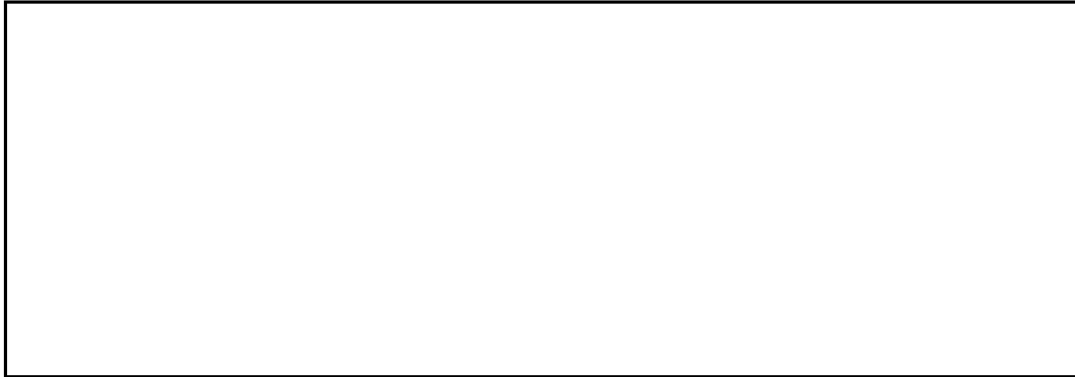
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Cypriot Talks Resume

Greek and Turkish Cypriots will resume negotiations in Vienna today under the auspices of UN Secretary General Waldheim. Indications are that both sides may be more flexible than in previous rounds, but mutual suspicions and differences in approach could lead to more snags.

Greek Cypriot negotiator Clerides and Turkish Cypriot negotiator Denktash will try to reconcile their respective position papers, which they had submitted just prior to the suspension of the talks in mid-February. The documents, which reflect the maximum demands of the two sides, have few points in common and agreement will be difficult.

The Greek Cypriot proposals call for the establishment of a multiregional federation with a strong central government. The more vaguely worded Turkish Cypriot proposals call for a biregional federation with a weak central government.

Greek Prime Minister Karamanlis and Clerides, however, seem prepared to accept a biregional solution, provided the Turks are willing to make substantial concessions on other matters. They also appear to have persuaded President Makarios to at least consider such a solution.

So far, the new government in Ankara appears willing to consider a limited withdrawal from the territory it controls on Cyprus. Ankara has been reluctant, however, to provide specific details and has emphasized that no such concessions will be made except in the course of negotiations.

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An impasse could arise soon after the talks resume if Denktash insists that Clerides accept the principle of a bizonal federation as a precondition to further discussions. It is almost certain that the Greek side would not commit itself in advance to a bizonal federation unless the Turkish side is willing to give some idea of the amount of territory it is prepared to give up and the number of refugees that would be permitted to return to their homes.

Such an impasse might be avoided if the Greek side can be persuaded to give tacit acceptance to the idea of biregionalism in return for concrete concessions by the Turkish side on other issues. Even without a snag over this issue, the negotiations are expected to be long and arduous.

The Vienna sessions will last a week, after which the talks will likely be transferred to Nicosia, where the UN will be represented by its special envoy to Cyprus.

Should Denktash, as he has threatened, withdraw as the negotiator for the Turkish Cypriots in favor of someone of lesser stature, Makarios may respond by appointing someone to replace Clerides as the negotiator for the Greek Cypriots. Ultimately, the details of a final settlement are likely to be determined in direct negotiations between Athens and Ankara, possibly as part of a more general settlement of outstanding differences between the two countries.

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Norway's Maritime Woes

The prospects for Norway's shipping and ship-building industries are gloomier now than they have been for many years. Unless the world demand for oil tankers recovers, these industries--which together account for nearly 15 percent of the country's gross national product--will be severely hurt.

Tankers represent more than one half of Norway's 43 million dead weight ton fleet. Because current charter rates for tankers have dropped below break-even costs, Norwegian shipowners have idled nearly one quarter of their tankers, the largest share of any major world fleet.

Ships with long term charters are partially sheltered from the impact of a depressed market. About one third of Norway's fleet is available for voyage (spot) charters, so that under current market conditions, much of its fleet is hard pressed to find employment.

Norway's assured market is limited since only a small portion of the fleet is required to handle the country's oil imports. Unlike Japan, most of Norway's fleet is engaged in third country trade, and shipowners, therefore, cannot depend on the country's oil import needs to keep the national fleet busy. As Norway becomes more energy independent from the development of its North Sea oil resources, Oslo's demand for tankers will decline even further.

Norway has more tanker tonnage on order--20 million dead weight tons--than any other nationally owned fleet. Nearly 5.4 million tons is slated for

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delivery this year, and much of this--like the country's newest and largest tanker--probably will be idled following launching.

Norwegian shipowners have not placed a tanker order since 1973, and orders for some 4 million tons have been cancelled. The total amount of tanker orders received by Norway's yards last year was less than 1 million tons compared with more than 14 million tons in 1973. Few orders are expected this year.

Shipbuilders have contracted to build drilling rigs for offshore oil exploration to absorb the slack in the shipbuilding market. Oil rigs will provide some relief, but will not compensate for the loss of tanker orders. Moreover, Oslo's policy to go slow in exploiting North Sea oil has tempered the demand for drilling rigs.

Attempts by various foreign countries to insure that portions of their national cargoes are carried on their own ships also is threatening Norway's shipping industry. Since more than 90 percent of Norway's tonnage is employed in third country trade, and 95 percent of its shipping receipts originate from non-Norwegian sources, such moves are potentially devastating to Norway's shipping interests.

At least twenty countries already have adopted some form of cargo preference legislation. Recent moves by the US to set up such legislation for oil imports was strongly opposed by Norway. Arab attempts to establish cargo preference legislation for their own oil exports is another major irritant, particularly because of Norway's heavy involvement in oil trade. Norway hopes to soften the position taken by many developing countries by offering assistance for fleet development.

The UN Code of Conduct for Liner Conferences is the most recent and significant attempt to establish an international framework for cargo preferences. If

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implemented, Norway's shipping could not continue in its present form since the code's cargo sharing provision would exclude much of third country trade.

Oslo hopes that the Code will not be implemented in its present form. Although a number of states--mainly developing countries--favor acceptance, the US is adamantly opposed and Japan has taken a wait and see position. Without the support of these two countries, the Code is unlikely to be adopted for some time.

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ANNEX

Constituent Assembly Election Won by  
Portuguese Moderates

Portuguese moderates, led by the Socialist Party, won a resounding victory over the Communists in the national constituent assembly election on Friday.

Unofficial results announced Saturday gave the three moderate parties more than 70 percent of the vote: the Socialists received 38 percent, the center-left Popular Democrats 26 percent, and the moderate right-wing Social Democratic Center 8 percent. The Communists and their allies took a total of 20 percent, 13 percent going to the Communist Party.

Over 90 percent of the registered voters turned out, most exercising the right to vote for the first time. The Socialist tally exceeded the party's highest expectations. The party showed remarkable strength in all areas of the country. The Socialists almost matched the Communist vote in industrial towns and in the Alentejo region, where the Communists had worked hard to gain the support of peasants on the large estates of absentee landlords.

The Socialists also polled better than expected in the traditionally conservative and heavily populated north, once a Popular Democratic stronghold.

The Socialists' impressive showing will increase their political influence, even though leaders of the ruling Armed Forces Movement say the election was nothing more than a "pedagogical exercise." The terms of the

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constitution to be approved by the constituent assembly are a foregone conclusion, but that body's deliberations could have an impact on the policies of the military government.

The Socialists are assured of over one third of the seats. Altogether, the moderate parties may control as much as 80 percent of the assembly.

Did Anyone Win Anything?

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Party chief Mario Soares, [REDACTED] is uncertain about how the Armed Forces Movement will react to the Socialist victory. Soares recognizes, in the aftermath of the election, that Socialist political influence is still dependent on the consent of the Movement. He is trying to make the election result palatable to the Movement by describing it as a victory for "progressive" forces.

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In a televised roundtable discussion with the leaders of the four parties in the governing coalition, Soares was conciliatory. He pledged that his party would comply with the pre-electoral pact signed by the six major parties that turned power over to the Movement.

Soares is wooing the Movement in an effort to split it away from the Communists. Up to now, the leaders of the Movement have found the highly disciplined Communists easy to work with; the party never criticizes the Movement's policies. They found the moderates parties were more difficult to handle.

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Although press reports indicate that Soares may be interested in forming a common front with the Communists and the Popular Democrats, [redacted] the party will make no formal alliances. Soares intends, instead, to emphasize the Socialists' independence and popular strength, and to build the party's support.

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#### Movement's Response

Movement leaders are pleased that the election was peaceful and that it boosted Portugal's international image. So far they have played down the moderates' victory and stressed the political naivete of the Portuguese people.

On Saturday, Information Minister Jesuino and Revolutionary Council member Correia held a press conference. Jesuino remarked that the election really did not matter, it "was just an exercise for the elections for a legislative assembly in December."

The Movement had been campaigning to encourage those uncertain of their political preference to vote a blank ballot, triggering speculation they would use such votes to indicate their own popular support. The percentage of blank or spoiled ballots amounted to a scant 7 percent. Jesuino said the Movement had hoped for 40 percent.

The spokesmen said the Movement did not regard the election as a defeat for their policies or as a protest against high unemployment and inflation. Jesuino, on the contrary, interpreted the vote as a victory for the Movement because the Socialists and the other top vote-getters had previously agreed to the Movement's platform.

According to Jesuino, "the first lesson to be drawn from the results of these elections is that the chosen line toward socialism has been reinforced" and thus there is no reason to modify the government's basic policies.

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### Factionalism

The election may hasten the growth of factionalism in the Revolutionary Council. Recent reports indicate that the division between moderate and radical factions that existed before the unsuccessful March 11 coup has become more complex.

The Moderates in the Council lost their momentum after the unsuccessful coup attempt, but the return of Admiral Rosa Coutinho from Angola prevented the radical faction, headed by Prime Minister Goncalves, from having full control over government policy. Coutinho favors the development of a specifically Portuguese brand of socialism and appears to stand between moderates like President Costa Gomes and pro-Communist radicals like Goncalves.

How the Movement reacts to the moderate victory will largely depend on which faction comes out on top.

A moderate election victory was feared most by the radical officers. Prime Minister Goncalves may well suffer politically as the result of the vote; he made no secret of his support for the Communist-dominated Portuguese Democratic Movement. In an attempt to head off political difficulties, Goncalves and some radical officers are conjuring up the threat of new attacks from the right.

President Costa Gomes is most likely pleased at the outcome, but he and the moderates still probably lack the power to turn the situation to their advantage.

Coutinho, on the other hand, was one of the major proponents of the blank ballot, and is probably disappointed at the failure of the ploy. He may still try to capitalize on his strength among the military and try to form his

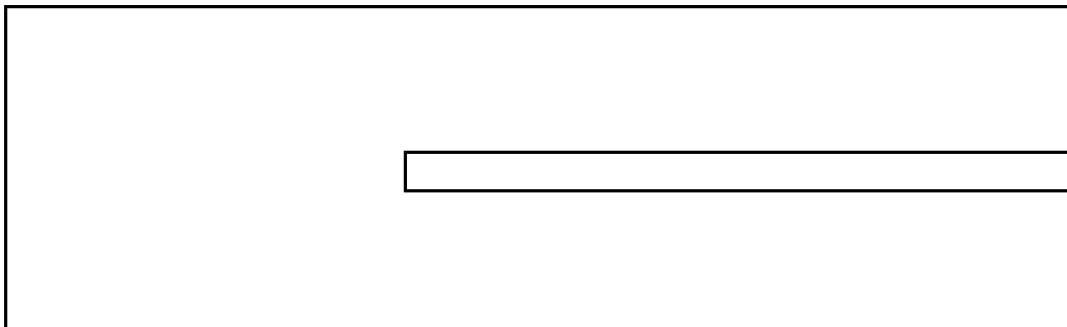
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"civilian Armed Forces Movement," ideologically situated between the Communists and the Socialists.



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#### Impact on Communists

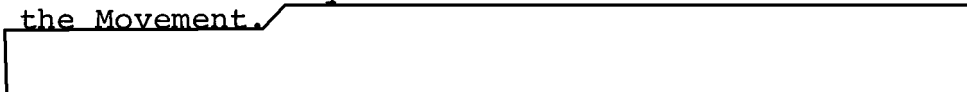
The Communist Party and the Portuguese Democratic Movement stand to lose the most as a result of the election. Both portray themselves as the representatives of the "people," but the "people" have disagreed. After spending more money than anyone else and using their organization to get their supporters to the polls, they can hardly complain that the people were not aware of their program.

The party will probably not protest the election, but will most likely complain that the "anticommunists" and "antidemocratic forces" sabotaged their campaign.

Communist leader Alvaro Cunhal summed up his party's approach, stating that "we know that the strength of the Communist Party by far exceeds the electoral influence as shown by the election figures, and therefore we believe that the election results in no way harm the Communist Party."

The Communists will encourage the Movement to belittle the election results because their success in the near future depends on their continued ability to influence the leaders of the Movement.

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